

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1664 - HB 1744

February 16, 2016

SUMMARY OF BILL: Authorizes any person who retired as a teacher under the Tennessee Consolidated Retirement System (TCRS), any superseded system administered by the state, or any local retirement fund, to seek employment as a kindergarten through grade twelve teacher without loss or suspension of retirement benefits under the following conditions: (1) the retired teacher holds any required license; (2) each employment appointment does not exceed one year; (3) the retired teacher will not be entitled to tenure status; (4) the retired teacher is not eligible to accrue retirement benefits, leave, or receive medical insurance coverage; and (5) the retired teacher will not receive automatic credit for years of service in determining compensation. Specifies that Tenn. Code Ann. § 8-36-821(a), employment of retired TCRS employees as teachers, applies only to persons who did not retire as teachers.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$26,070,000/One-Time

Increase Local Expenditures – \$17,380,000/One-Time*

Other Fiscal Impact – The total lump sum pension liability to the Tennessee Consolidated Retirement System (TCRS) is estimated to be \$43,450,000.

Assumptions:

- This bill would allow teachers to begin drawing retirement benefits upon eligibility and continue employment as a teacher.
- Based on information provided by TCRS, this will result in a one-time increase in benefit payments for retirees drawing benefits one year earlier.
- According to TCRS, the average annual number of teachers retiring is 2,633. TCRS estimates that approximately 33 percent of retired teachers (or 869) will take advantage of this authorization.
- Based on information provided by TCRS, the average liability per teacher is approximately \$50,000. A total increase in the lump sum pension liability of \$43,450,000 (\$50,000 x 869), which will all be paid in FY16-17.
- Retirement funding for retired teachers are funded 60 percent with state funds and 40 percent local funds. There will be a mandatory increase in local expenditures for these retired teachers.

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- The one-time increase in state expenditures is estimated to be \$26,070,000 (\$43,450,000 x 60.0%).
- The mandatory one-time increase in local expenditures is estimated to be \$17,380,000 (\$43,450,000 x 40.0%).

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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